



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

June 21, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley *[Signature]*
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY FAIR ASSOCIATION AUDIT REPORT FOR
THE YEAR ENDED DECEMBER 31, 2004**

In 1988, the County entered into a Ground Lease and Operating Agreement (Agreement) with the Los Angeles County Fair Association (Association) for the Association to use and develop the County Fairgrounds (Fairgrounds). The Agreement requires the Association to pay rent to the County based on the Association's gross revenues from the use of the Fairgrounds. We contracted with Conrad and Associates, LLP (Conrad), to audit the rent paid to the County by the Association for the year ended December 31, 2004.

Conrad concluded that the Association overpaid the County by \$5,466 for the year ended December 31, 2004. The overpayment is the net result of the following audit findings:

- The Association incorrectly included \$183,434 in advertising revenue from a freeway sign in the County Lease Calculation. The Chief Administrative Office and Conrad concluded that the freeway sign was not located on the Fairgrounds and, therefore, the revenue should be excluded from the Calculation. This resulted in a rent overpayment of \$6,420.
- The Association earned \$27,250 in advertising revenue during "non-fair time", but did not include it in the County Lease Calculation. The Agreement states that only advertising revenue received in connection with the Fair can be excluded from the

Calculation. Conrad determined that advertising revenue received during "non-fair" time should be included in the County Lease Calculation under the Agreement. This resulted in additional rent due to the County of \$954.

Conrad also evaluated the Association's progress in implementing internal control recommendations from the prior-year audit related to controls over cash receipts. As of December 2, 2005 (the conclusion of Conrad's fieldwork), the Association had implemented all but one of the recommendations. However, in recent discussions with the Association and Conrad, we have determined that the Association has fully implemented all of the recommendations.

In their 2003 audit of the Association, Conrad reported that the Association owed the County \$43,269 in additional rent because the Association had excluded \$1.2 million in revenue from stabling and training of race horses. Conrad noted in their current 2004 report that the Association had paid the additional rent owed from 2003, and had properly accounted for this revenue and paid the County the appropriate rent for 2004.

Please call if you have questions, or your staff may contact Terri Kasman at (626) 293-1121.

JTM:MMO:JLS:TK

H:\Fair Association Board Letter.doc

Attachments

c: David E. Janssen, Chief Administrative Officer

Los Angeles County Fair Association

Jim Henwood, President

Michael D. Seder, Vice President and Chief Financial Officer

Karen Furlow, Controller

Sachi A. Hamai, Executive Officer

Public Information Office

Audit Committee

COUNTY OF LOS ANGELES

Independent Accountant's Report
On Applying Agreed Upon Procedures

Lease Year 2004 – Chief Administrative
Office County Fair Association

For the period January 1, 2004
through December 31, 2004

Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Los Angeles, California

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

On January 20, 1988, the County of Los Angeles (County) entered into a Ground Lease and Operating Agreement (Agreement) with the Los Angeles County Fair Association (Association) for the use and development of the Los Angeles County Fairgrounds. The Agreement requires that the Association pay rent to the County. The rent payable is calculated by using gross revenues derived from the use of the property and received by the Association during a lease year. To determine the annual rent, the Association prepares a "Year to Date County Lease Calculation" which summarizes the gross revenues received during that lease year and calculates the lease amount, in accordance with the Agreement.

We have performed the procedures enumerated below, which were agreed to by the County of Los Angeles, solely to assist County management in evaluating the Los Angeles County Fair Association's compliance with the Ground Lease and Operating Agreement, the First Amendment to the Ground Lease and Operating Agreement (First Amendment), dated January 28, 2000, and the Second Amendment to the Ground Lease and Operating Agreement (Second Amendment), dated September 30, 2003, between the County and the Association for the period January 1, 2004 through December 31, 2004. This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

SUMMARY OF RESULTS

The procedures performed and the results of those procedures are identified below in detail. The following is a summary of the more significant items noted as a result of those procedures.

- We determined that the Fair Association overpaid rent for Lease Year 2004. The amount overpaid as of December 2, 2005 was \$5,466. Our procedures disclosed two areas that resulted in a net overpayment. Revenues reported on the Lease Calculation were increased by \$27,250 for a revenue reduction that did not appear to qualify as a revenue exemption under the Lease Agreement. Reported revenues were also decreased by \$183,434 for certain revenues that were earned outside the property. The net overpayment is summarized as follows:

Inclusion of certain advertising revenue ($\$27,250 \times 3.5\%$)	\$ 954
Exclusion of freeway sign revenue ($\$183,434 \times 3.5\%$)	<u>(6,420)</u>

Amount owed from (to) the Association as of December 2, 2005 \$ (5,466)

For additional details, please see item 7.

- Certain revenues earned by the Fair Association were not considered to meet the definition of “gross revenues” as defined in the lease agreement, and accordingly, were not included as part of the County Lease Calculation. The revenues in particular are from two subsidiaries of the Fair Association – Barretts and Cornucopia, and the Hotel, which is owned by the Fair Association. Gross revenues earned by subsidiaries (i.e. Cornucopia) are not included in the Lease Calculation, but rents received from these subsidiaries and paid to the Fair Association are included in the Lease Calculation. The treatment of subsidiary revenue and Hotel revenue is unclear in the lease agreement. It is the opinion of the Chief Administrative Office (CAO) that the Fair properly excluded the gross revenues earned by the Hotel, Barretts and Cornucopia when preparing the County Lease Calculation. Since the CAO has agreed that these revenues are not to be included, the definition of gross revenues may need to be clarified, in writing, to specifically address the intentions of both the CAO and the Fair.
- For the significant items identified in the prior report, 2003 Lease Year, we ascertained the current status of these items. The internal control recommendation regarding cash receipts had not been fully implemented. However, the Association expects procedures to be in place 30 days after December 2, 2005. The Association paid the additional rent of \$43,269 that was identified as being owed to the County for the 2003 Lease Year.

Our procedures and findings are as follows:

COUNTY LEASE CALCULATION

1. We obtained a copy of the most recent Lease Agreement, dated January 20, 1988, the First Amendment, dated January 28, 2000, and the Second Amendment, dated September 30, 2003, between the County and the Association. We read the agreement and the amendments to gain an understanding of the revenue categories to be included and excluded in gross revenues for the calculation of rent.

We obtained a copy of the 2004 Year to Date Lease Calculation Schedule (Lease Calculation Schedule) that was prepared by the Association in April 2005 (Exhibit 1). We recalculated the information contained on the Lease Calculation Schedule to determine if the form was mathematically correct. We footed and cross footed all subtotals and totals and recalculated the rent payment for each revenue type.

Results: We noted no exceptions as a result of our procedures.

2. We obtained a copy of the Association’s 2004 trial balance for all revenue accounts. We compared total revenue reported on the Lease Calculation Schedule to the total revenue per the 2004 trial balance. We also compared all individual revenue line items on the Lease Calculation Schedule over \$1,000,000 to the corresponding revenue accounts in the 2004 trial balance.

Results: Total revenues per the lease calculation schedule and trial balance were \$43,636,626 and \$41,337,369, respectively. The \$2,299,257 difference was revenue received from the County of Los Angeles Department of Public Works for reimbursement of costs incurred for the Fairplex ADA Compliance Project, which does not meet the definition of gross revenues. This \$2,299,257 of revenue was inadvertently included as part of the gross revenues on the lease calculation schedule. The Association correctly made an adjustment for this revenue on the Lease Calculation Schedule by reporting this amount as a reduction under the "Less Revenue" column. The net effect on the lease calculation was zero.

3. We obtained the Association's 2004 Annual Report prepared by the Association's independent auditor, Grant Thornton, L.L.P., and compared total revenues per the audited financial statements to the gross revenues on the Lease Calculation Schedule.

Results: Total revenues per the financial statement and the lease calculation schedule were \$59,486,086 and \$43,636,626, respectively. The difference between amounts reported on the lease calculation schedule and the audited financial statement is summarized as follows:

Total revenues per audited financial statement	\$59,486,086
Add:	
Intercompany eliminations	1,026,473
Less:	
Hotel revenue	9,272,111
Barretts revenue	3,577,950
Interest revenue	187,728
Cornucopia revenue	3,439,136
Gain on interest swap	<u>399,008</u>
Total revenues reported on the Lease calculation schedule	<u>\$43,636,626</u>

During calendar year 2004, the Fair Association formed a for-profit concessionaire Cornucopia Foods, Inc., to provide concessionaire services for Association events. According to the Association, the gross revenue earned by Cornucopia is not considered to meet the definition of gross revenues per the Lease Agreement and therefore is not part of the County Lease Calculation. However, Cornucopia does pay rental income to the Fair, which is appropriately included in the County Lease Calculation.

Gross revenues earned by Barretts (a subsidiary of the Fair Association that provides equestrian services) and the Hotel are also not included as part of the County Lease Calculation. This treatment is consistent with prior years. Barretts does pay rental income to the Fair, which is appropriately included in the County Lease Calculation.

Upon reading the definition of gross revenues per the Lease Agreement, it appears that revenues earned by Cornucopia, the Hotel and Barretts may satisfy the definition of gross revenues as outlined in the Lease Agreement: "gross revenues shall mean and include any and all money and cash receipts, including but not limited to admissions; gross charges; sales; rentals; fees; commissions; and in kind payments, assets, property or other things of value, made or received in lieu thereof, received by the Fair Association from use of the property..." Revenues earned by the Hotel, Barretts and Cornucopia were "received by" the Fair Association and were "from the use of the property".

It is the opinion of the Chief Administrative Office (CAO) that the Fair properly excluded the gross revenues earned by the Hotel, Barretts and Cornucopia. Since the CAO has agreed that these revenues are not to be included, the definition of gross revenues may need to be clarified to specifically address the intentions of both the CAO and the Fair.

We recommend that the County consider amending the lease agreement (or at a minimum prepare a letter of correspondence) to clarify the definition of gross revenues to specifically address the inclusion or exclusion of the gross revenues earned by Cornucopia, the Hotel and Barretts.

4. In accordance with the Agreement, the Association segregated Fair Revenue from Interim (non-fair) Revenue. The annual lease payment is calculated using 1% for fair revenues and 3.5% for interim revenues. We obtained an understanding of the methodology used in classifying Fair Revenues versus Interim Revenues on the Lease Calculation Schedule. The classifications are based on specific revenue accounts reflected in the trial balance. We selected all gross revenue line items over \$1,000,000 and recalculated the portions allocated to fair revenue and interim revenue.

Results: We noted no exceptions as a result of the above procedures based on the scope of the revenue items reviewed.

5. For the more significant gross revenue categories, we performed specific tests to ascertain whether selected revenue entries were in agreement with the appropriate supporting documentation and properly recorded in the trial balance (posted to the correct account). Our specific tests are described as follows:

- A. **Admissions** – We reviewed the Admissions, Parking and Carnival Revenue Report (Revenue Report), which summarized revenues for the entire Fair period of seventeen days. We compared the summary revenue report to the daily Revenue Reports. In addition, we compared the totals from the Revenue Reports to the trial balance.

Results: We noted no exceptions as a result of our procedures.

We selected four days from the daily Revenue Reports (9/13/04, 9/19/04, 9/23/04 and 9/25/04). We obtained the Admission Summaries and compared the actual cash received per summaries to the amount reported on the daily Revenue Reports.

Results: We noted no exceptions as a result of our procedures.

- B. **Food and Beverage Sales** – We selected one individually significant cash receipt posted to the General Ledger Detail to determine if amount was properly recorded as Fair Revenue. In addition, we selected one individually significant adjustment to cash receipts to determine if the amount was properly reducing fair revenues. We obtained details for the concession deposit posted on 10/4/04. From the details of the deposit, we also agreed four of the individually significant amounts to cash receipt records and obtained concession contracts for vendors to ensure that the term of the occupancy was during the Fair period. For the adjustment posted on 11/21/04, we obtained journal entries and Association's explanations to support the reasonableness of the adjustment to revenues.

Results: We noted no exceptions as a result of our procedures.

- C. **Parking** – We selected four days from the daily Revenue Reports (9/13/04, 9/19/04, 9/23/04 and 9/25/04) and obtained the Parking Summaries for those four days. From the Parking Summaries, we selected the significant parking attendant revenue amounts and obtained the individual "Parking Salesman's Daily Reports" (Daily Reports). We compared the amounts per the Daily Reports to the amounts reported on the daily Parking Summaries.

Results: We noted no exceptions as a result of our procedures.

- D. **Fair Sales** – We selected one individually significant cash receipt posted to the General Ledger Detail to determine if amount was properly recorded as Fair Revenue. In addition, we selected one individually significant adjustment to cash receipts to determine if amount was properly reducing Fair Revenues. We obtained details for the commercial deposit posted on 9/1/04. From the details of the deposit, we also agreed four of the individually significant amounts to cash receipt records and obtained concession contracts for vendors to ensure that the term of the occupancy was during the Fair period. For the adjustment posted on 9/26/04, we obtained journal entries and Association's explanations to support the reasonableness of the adjustment to revenues.

Results: We noted no exceptions as a result of our procedures.

- E. **Racing** – We selected one individually significant cash receipt posted to the General Ledger Detail to determine if amount was properly recorded as Fair Revenue. In addition, we selected one individually significant adjustment to cash receipts to determine if amount was properly reducing fair revenues. We obtained the details for the "track commission" revenue posted on 9/26/04. From the details of the deposit, we ensured that the dates of the racing revenue were during the Fair period. For the adjustment posted on 9/26/04, we obtained the journal entries and Association's explanations to support the reasonableness of the adjustment to revenues.

Results: We noted no exception as a result of our procedures.

6. We obtained the General Ledger Detail dated January 1, 2004 through December 26, 2004 for the following accounts: Admissions (Department 30), Food & Beverage (Department 34), Parking (Department 25), Fair Sales (Department 52), and Racing (Department 60). We compared the total revenues per the General Ledger Detail to the Association's Lease Calculation Schedule.

Results: We noted no exceptions as a result of our procedures.

7. For all adjustments identified on the Lease Calculation Schedule, we obtained the general ledger detail and cash receipt records, and reviewed the lease agreement to determine if adjustments made to gross revenues were allowable exclusions in accordance with the lease agreement. Any information regarding certain revenues that should have been excluded in the lease calculation was also addressed in this section.

Results: We found that adjustments were properly excluded and supported except for the following, which resulted in an overpayment of rent in the amount of \$5,466.

<u>Department/Description</u>	<u>Amount Included/Excluded by Association</u>	
	<u>Fair</u>	<u>Non-Fair</u>
Sponsorship/Advertisement	\$ -	27,250
Freeway sign/Advertisement	-	(183,434)
Training/SCOTW, Inc.	-	<u>1,704,847</u>
	<u>\$ -</u>	<u>1,548,663</u>

- A. Per Article 3.07.a. of the Ground Lease and Operating Agreement, “advertisement or promotional considerations received in connection with the operation of the Fair” is excluded from the calculation of gross revenues. \$27,250 of advertising revenue received during the non-fair time should not have been excluded in the Lease Calculation.
- B. Per Article 3.07.a. of the Ground Lease and Operating Agreement, “gross revenues shall mean and include any and all money charges...received by Association from use of the property...” Subsequent to completing the fieldwork, the Fair Association informed us that advertising revenue generated by a Freeway Sign located outside the property was incorrectly included in the County Lease Calculation. This revenue was identified in the County Lease Calculation under “freeway sign”, but was not reported as an exclusion under the “less revenue” column.. Since these advertisement revenues were apparently not received from the use of the property, \$183,434 should have been excluded in the Lease Calculation.
- C. In the prior year, an agreement was entered between the Association and Southern California Off-Track Wagering, Inc. (SCOTW, Inc.) to reimburse Association for certain costs directly arising from the provision of off track stabling of thoroughbred race horses. \$1,704,847 in reimbursements were received from SCOTW, Inc. during the year under review. The Association excluded these reimbursements in the calculation of gross rent. However, as a result of the finding in the prior year report, the Association, subsequent to the year under review properly calculated and remitted the additional amount due to the County in the amount of \$59,670 in August 2005.

The additional amount due is calculated as follows:

	<u>Revenue Amounts</u>		<u>Fair Revenue Rent</u>		<u>Non-Fair Revenue Rent</u>	<u>Amount Due To/(From) County</u>
Sponsorship	\$ 27,250	1%	\$ -	3.5%	954	954
Freeway sign	(183,434)	1%	-	3.5%	(6,420)	(6,420)
Total	<u>\$156,184</u>		<u>-</u>		<u>(5,466)</u>	<u>(5,466)</u>

To summarize the effect of the above adjustments, we revised the Association's "Year to Date County Lease Calculation." This Auditor revised calculation is documented at Exhibit 2.

TESTING OF WEEKEND NET REVENUES

8. We obtained a copy of the First Amendment to the Ground Lease and Operating Agreement, dated January 28, 2000 between the Association and the County. In accordance with the Amendment, the Association is entitled to receive a credit against the Lease Year 2004 rent in an amount equal to the lesser of \$300,000, or a sum equal to the projected weekend event net revenue, less actual weekend event net revenue, realized by the Association. Per the work order, the projected weekend event net revenue for 2004 was \$8,926,429. The actual weekend event net revenue for 2004 reported by the Association was \$5,308,253.

We read the amendment to determine which events are to be included and excluded in weekend events net revenues for the calculation of the available rent credit. We obtained a copy of the Association's Summary of Weekend Event Net Revenue. This Summary was an eight page excel document that identified all weekend events that occurred during 2004. The total weekend event net revenue per the Summary was \$5,308,253. We compared the events included in the calculation of weekend event net revenues to a separate listing of actual weekend events held during 2004 and ascertained if all weekend events held were properly included and excluded.

Results: We noted no exceptions as a result of our procedures.

9. From the Association's Summary of Weekend Event Net Revenue, we performed specific tests of selected events to ascertain whether the gross and net revenues included in the Summary were in agreement with the appropriate supporting documentation. Our specific tests are described as follows:

- A. We selected four weekend events held during 2004 (Equine Affaire, RVIA Show, Winternationals and Grand National Roadster). We obtained the General Ledger Detail Reports for each event and compared the amounts reflected in the general ledger to the amounts reflected in the Association's Summary of Weekend Events Net Revenues.

Results: We noted no exceptions as a result of our procedures.

- B. We obtained the cash receipts and vendor invoices associated with two (Winternationals and RVIA Show) of the four events mentioned above. We traced the cash receipts and vendor invoices to the General Ledger Detail Reports to determine if all revenues and expenses were properly reflected in the general ledger.

Results: We noted no exceptions as a result of our procedures.

10. As stated in the First Amendment to the Ground Lease and Operating Agreement, dated January 28, 2000, Section 1(a), if Actual Weekend Event Net Revenues do not meet or exceed Projected Weekend Event Net Revenues for lease year of 2004, the Association is allowed to apply a rent credit to reduce the amount of rent owed to the County for the use of the fair property. The available credit is an amount equal to the lesser of \$300,000 or a sum equal to the Projected Weekend Event Net Revenue less Actual Weekend Event Net Revenue realized by the Fair Association for the Lease Year in question. We recalculated the 2004 Weekend Event Net Revenue and the 2004 Rent Credit Schedules to determine if the rent credit was properly taken.

Results: We noted no exceptions as a result of our procedures. The Association qualifies for the 2004 Rent Credit of \$300,000. See Exhibit 4 for the calculation.

11. We obtained an understanding of the methodology used to determine "Projected Weekend Event Net Revenues" and "Actual Weekend Event Net Revenues". We then ascertained whether Actual Weekend Event Net Revenues were "computed in a manner consistent in all respects with the calculation of Projected Weekend Event Net Revenues" as required per Section 15.19 of the agreement.

Results: We noted no exceptions as a result of our procedures.

12. To arrive at a Weekend Event Net Revenue amount of \$5,308,253, the Association excluded certain net revenue earned from "weekend" events that took place on a day other than Friday, Saturday, or Sunday. This is in accordance with the Amendment and was evidenced on the Summary of Weekend Event Net Revenue with a separate column, Week Day Exclusions. The total of this exclusion column was \$1,237,824.

We obtained the Weekend Events Actual Net Revenue Schedule and recalculated the amounts reflected in the Weekday Exclusions column to determine if the correct amount was properly excluded.

Results: We noted no exceptions as a result of our procedures.

RENT PAYABLE TO COUNTY

13. We compared the total payment made to the total rent calculated by the Association for the period January 1, 2004 through December 31, 2004.

Results: Our calculation of the 2004 rent owed to the County as of December 2, 2005 is as follows:

	<u>Percentage per Agreement</u>	<u>Net Revenues</u>	<u>Rent</u>
Fair revenue	1%	\$25,414,142	254,141
Interim revenue	3.5%	<u>12,691,264</u>	<u>444,195</u>
Subtotal		<u>\$38,105,406</u>	698,336
Less: Allowable credit			<u>(300,000)</u>
2004 Rent			398,336
Rent paid to the County on May 3, 2005			(344,132)
Additional rent paid to County on August 11, 2005			<u>(59,670)</u>
Rent owed to County as of December 2, 2005			<u>\$ (5,466)</u>

14. We obtained a copy of the check paid to the County and reviewed Article 3, Section 3.01 and 3.06 of the Agreement to ascertain that remittance was required to be submitted on or before May 1.

Results: We noted that the Association submitted the payment on May 3, 2005.

15. We determined if the additional amount due exceeded five percent (5%) of the total that should have been paid in accordance with Article 14.13c, paragraph 2, which states that "if additional amount due exceeds 5% of the total amount that should have been paid as determined...Fair Association shall also pay the cost of the audit."

Results: The additional amount due was less than 1% of the lease amount.

OTHER PROCEDURES

16. We obtained the Balance Sheet for the period ended December 31, 2004, the Advance Deposits schedule that tracks unearned income throughout the year and the General Ledger detail for the Unearned Income account. We compared the detail of the total amount of unearned income at December 31, 2004 to the Advance Deposits schedule and verified that amounts recorded in the unearned income account pertained to monies received in advance for future events.

Results: We noted no exceptions as a result of our procedures.

17. To ensure that 2004 revenues were applied in a manner consistent with the prior year, we compared current year net revenues (fair and interim) to prior year net revenues. Our specific tests are described as follows:
- A. For fluctuations greater than \$100,000 and 15%, we inquired with Association management as to the cause for such fluctuation.

Results: No line items had fluctuations that warranted an explanation from management.

STATUS OF PRIOR COMMENTS

18. In prior years, we gained an understanding of the flow of transactions and collection procedures over certain Association's revenue sources. Through meetings with appropriate personnel, we ascertained the flow of information for the admissions and commercial/concessions revenue areas. For the current lease year, we determined the status of our recommendation to have an individual in the Supervisory level not involved in the cash receipts process, maintain a log of pre-numbered receipts and that all receipts should be reconciled for any missing or out of sequence receipts. This segregation of duties would enhance controls to reduce or eliminate any individuals from issuing cash receipts, but not turning in the money.

Results: Our recommendations from the prior report appear not to have been fully implemented as of the date of our inquiry, December 2, 2005. However, the Association is in the process of working with the Department to set up a process as documented below in management's response to corrective action.

Management's Response Regarding Corrective Action Taken or Planned:

"There are several departments at the LACFA that utilize pre-numbered cash receipts. We have set up a process where an employee not involved with the cash receipts process maintain a log of pre-numbered receipts and hold individuals accountable for the receipts assigned to them. The receipts are reconciled monthly and any missing or out of sequence receipts are investigated. The receipts in one of the departments are maintained in receipt number order, by account number sequence. They are maintained this way to enable them to easily reconcile to the general ledger. Based upon your recommendation, we will have that department implement the numbered log immediately."

19. As a result of our procedures for Lease Year 2003, we had indicated that Association had an additional amount of rent due to the County in the amount of \$43,269. We inquired about the status of payment.

Results: The Association remitted their payment on August 11, 2005.

SECOND AMENDMENT

20. Pursuant to the Ground Lease, portions of the property, while not being used by the Fair Association, may be used by the Los Angeles County Sheriff for departmental training purposes. In accordance with the Second Amendment, the Sheriff may direct the Fair Association, on an annual basis, to perform maintenance and repair work that does not exceed \$55,000 in aggregate, unless approved by the Board of Supervisors.

We inquired with the Fair Association in regard to the amount of funds received from the Sheriff for maintenance and repair work performed as a result of the Second Amendment.

Results: Based upon the inquiry, the Fair Association billed the Sheriff \$43,058.22 on June 3, 2004. The Fair Association received the entire \$43,058.22 on July 1, 2004.

* * * * *

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the County and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Conrad and Associates, L.L.P.

December 2, 2005

Los Angeles County Fair Association

Exhibit i

Year to Date County Lease Calculation - December 2004

Prepared by the Association in April 2005

	Total Revenue	Fair Revenue	Less Revenue	Net Revenue	%	Fair Calc County Lease	Non Fair Revenue	Less Revenue	Net Revenue	%	Non-fair calc. County Lease	Total County Lease
admin	2,567,710.51	164,946.75	(95,750.00)	69,196.75	1.00%	691.97	2,402,763.76	(2,349,269.04)	53,494.72	3.5%	1,872.32	2,564.28
communication	285.00	-	-	-	1.00%	-	285.00	-	285.00	3.5%	9.98	9.98
facilities	174,357.86	-	-	-	1.00%	-	174,357.86	-	174,357.86	3.5%	6,102.53	6,102.53
parking	5,955,656.76	2,997,474.01	-	2,997,474.01	1.00%	29,974.74	2,958,182.75	-	2,958,182.75	3.5%	103,536.40	133,511.14
trans	57,952.90	-	-	-	1.00%	-	57,952.90	(57,952.90)	-	3.5%	-	-
admissions	6,128,566.59	6,128,526.59	-	6,128,526.59	1.00%	61,285.27	40.00	-	40.00	3.5%	1.40	61,286.67
cred/tradg/cr	113,935.02	-	-	-	1.00%	-	113,935.02	-	113,935.02	3.5%	3,987.73	3,987.73
food & bev	5,121,790.24	3,435,315.31	-	3,435,315.31	1.00%	34,353.15	1,686,474.93	-	1,686,474.93	3.5%	59,026.62	93,379.78
fairview farms	48,294.18	41,801.18	-	41,801.18	1.00%	418.01	6,493.00	-	6,493.00	3.5%	227.26	645.27
exhibits	296,252.70	296,252.70	-	296,252.70	1.00%	2,962.53	-	-	-	3.5%	-	2,962.53
yr sales	2,628,390.58	-	-	-	1.00%	-	2,628,390.58	-	2,628,390.58	3.5%	91,993.67	91,993.67
fair sales	4,769,642.19	4,768,642.19	-	4,768,642.19	1.00%	47,686.42	1,000.00	-	1,000.00	3.5%	35.00	47,721.42
adv sales	2,414,815.30	2,414,815.30	-	2,414,815.30	1.00%	24,148.15	-	-	-	3.5%	-	24,148.15
freeway sign	183,433.73	-	-	-	1.00%	-	183,433.73	-	183,433.73	3.5%	6,420.18	6,420.18
sponsorship	1,920,700.08	1,893,450.08	(1,893,450.08)	-	1.00%	-	27,250.00	(27,250.00)	-	3.5%	-	-
grandstand	640,634.00	640,634.00	-	640,634.00	1.00%	6,406.34	-	-	-	3.5%	-	6,406.34
grounds ent	9,760.47	8,792.47	-	8,792.47	1.00%	87.92	968.00	-	968.00	3.5%	33.88	121.80
racing	4,443,341.59	4,443,141.59	-	4,443,141.59	1.00%	44,431.42	200.00	-	200.00	3.5%	7.00	44,438.42
itw	2,380,868.44	-	-	-	1.00%	-	2,380,868.44	-	2,380,868.44	3.5%	83,350.40	83,350.40
train	1,704,846.74	-	-	-	1.00%	-	1,704,846.74	(1,704,846.74)	-	3.5%	-	-
horse show	172,662.07	62,954.50	-	62,954.50	1.00%	629.55	109,707.57	-	109,707.57	3.5%	3,839.76	4,469.31
rv	1,902,728.55	213,190.67	(106,595.34)	106,595.33	1.00%	1,065.95	1,689,537.88	(844,768.94)	844,768.94	3.5%	29,566.91	30,632.87
	43,636,625.50	27,509,937.34	(2,095,795.42)	25,414,141.92		254,141.42	16,126,688.16	(4,984,087.62)	11,142,600.54		389,991.02	644,133.44

Los Angeles County Fair Association

Exhibit 2

Year to Date County Lease Calculation - December 2004

Revised schedule prepared by the Auditors in December 2005

	Total Revenue	Fair Revenue	Less Revenue	Net Revenue	%	Fair Calc County Lease	Non Fair Revenue	Less Revenue	Net Revenue	%	Non-fair calc. County Lease	Total County Lease
admin	2,567,710.51	164,946.75	(95,750.00)	69,196.75	1.00%	691.97	2,402,763.76	(2,349,269.04)	53,494.72	3.5%	1,872.32	2,564.29
communication	285.00	-	-	-	1.00%	-	285.00	-	285.00	3.5%	9.98	9.98
facilities	174,357.86	-	-	-	1.00%	-	174,357.86	-	174,357.86	3.5%	6,102.53	6,102.53
parking	5,955,656.76	2,997,474.01	-	2,997,474.01	1.00%	29,974.74	2,958,182.75	-	2,958,182.75	3.5%	103,536.40	133,511.14
trams	57,952.90	-	-	-	1.00%	-	57,952.90	(57,952.90)	-	3.5%	-	-
admissions	6,128,566.59	6,128,526.59	-	6,128,526.59	1.00%	61,285.27	40.00	-	40.00	3.5%	1.40	61,286.67
cred/badge cir	113,935.02	-	-	-	1.00%	-	113,935.02	-	113,935.02	3.5%	3,987.73	3,987.73
food & bev	5,121,790.24	3,435,315.31	-	3,435,315.31	1.00%	34,353.15	1,686,474.93	-	1,686,474.93	3.5%	59,026.62	93,379.77
fairview farms	48,294.18	41,801.18	-	41,801.18	1.00%	418.01	6,493.00	-	6,493.00	3.5%	227.26	645.27
exhibits	296,252.70	296,252.70	-	296,252.70	1.00%	2,962.53	-	-	-	3.5%	-	2,962.53
yr sales	2,628,390.58	-	-	-	1.00%	-	2,628,390.58	-	2,628,390.58	3.5%	91,993.67	91,993.67
fair sales	4,769,642.19	4,768,642.19	-	4,768,642.19	1.00%	47,686.42	1,000.00	-	1,000.00	3.5%	35.00	47,721.42
adv sales	2,414,815.30	2,414,815.30	-	2,414,815.30	1.00%	24,148.15	-	-	-	3.5%	-	24,148.15
freeway sign	183,433.73	-	-	-	1.00%	-	183,433.73	(183,433.73)	-	3.5%	-	-
sponsorship	1,920,700.08	1,893,450.08	(1,893,450.08)	-	1.00%	-	27,250.00	-	27,250.00	3.5%	953.75	953.75
grandstand	640,634.00	640,634.00	-	640,634.00	1.00%	6,406.34	-	-	-	3.5%	-	6,406.34
grounds ent	9,760.47	8,792.47	-	8,792.47	1.00%	87.92	968.00	-	968.00	3.5%	33.88	121.80
racing	4,443,341.59	4,443,141.59	-	4,443,141.59	1.00%	44,431.42	200.00	-	200.00	3.5%	7.00	44,438.42
itw	2,380,868.44	-	-	-	1.00%	-	2,380,868.44	-	2,380,868.44	3.5%	83,330.40	83,330.40
tram	1,704,846.74	-	-	-	1.00%	-	1,704,846.74	-	1,704,846.74	3.5%	59,669.64	59,669.64
horse show	172,662.07	62,954.50	-	62,954.50	1.00%	629.55	109,707.57	-	109,707.57	3.5%	3,839.76	4,469.31
rv	1,902,728.55	213,190.67	(106,595.34)	106,595.33	1.00%	1,065.95	1,689,537.88	(844,768.94)	844,768.94	3.5%	29,566.91	30,632.86
	43,636,625.50	27,509,937.34	(2,095,795.42)	25,414,141.92		254,141.42	16,126,688.16	(3,435,424.61)	12,691,263.55		444,194.25	698,335.67

Exhibit 3

Los Angeles County Fair Association
Lease Payable
For the Period Ended December 26, 2004

	<u>GROSS REVENUE</u>	<u>RATE</u>	<u>RENT AMOUNT</u>
FAIR REVENUE:			
Total Revenue	\$ 27,509,937		
Excluded items:			
Sponsorship	(1,893,450)		
State Appropriation	(95,750)		
RV Part 50% pro rata share	<u>(106,595)</u>		
Adjusted gross fair revenue	<u>25,414,142</u>	1.0%	254,141
INTERIM REVENUE:			
Total interim revenue	16,126,688		
Excluded items:			
Land Rent - Sheraton	(50,012)		
Government payments	(2,299,257)		
RV Park 50% pro rata share	(844,769)		
Trams	(57,953)		
Freeway sign	<u>(183,434)</u>		
Adjusted gross interim revenue	<u>12,691,263</u>	3.5%	444,195
PARCEL 1 REVENUE	-	75.0%	<u>-</u>
TOTAL RENT AMOUNT			698,336
Credit (see Exhibit 4)			<u>(300,000)</u>
TOTAL RENT CALCULATED			398,336
Less Rent Paid on May 3, 2005			(344,132)
Less Additional Rent Paid on August 11, 2005			<u>(59,670)</u>
TOTAL RENT OVERPAID (as of December 2, 2005)			<u>\$ (5,466)</u>

Exhibit 4

LOS ANGELES COUNTY FAIR ASSOCIATION

2004 Weekend Event Revenue

Year Round Event Facility Revenue	\$ 2,415,993
Weekend F&B Revenues	1,272,211
Weekend Parking Revenues	2,857,873
Weekday F&B, Parking and Service Exclusions	<u>(1,237,824)</u>
Net Weekend Event Revenue	<u>5,308,253</u>
Total Actual Revenues	<u><u>\$ 5,308,253</u></u>
Projected Revenues (including gun shows)	\$ 8,926,429
Actual Revenues	<u>5,308,253</u>
Excess (Shortfall) from Projection	<u><u>\$ (3,618,176)</u></u>
Available rent credit - Year 2004	<u><u>\$ 300,000</u></u>